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MILLENNIUM CHALLENGE CORPORATION

[MCC FR 13-05]

Report on Countries That Are Candidates for Millennium Challenge Account Eligibility in Fiscal Year 2014 and Countries That Would Be Candidates But For Legal Prohibitions

AGENCY: Millennium Challenge Corporation.

ACTION: Notice.

SUMMARY: Section 608(d) of the Millennium Challenge Act of 2003 requires the Millennium Challenge Corporation to publish a report that identifies countries that are “candidate countries” for Millennium Challenge Account assistance during FY 2014. The report is set forth in full below.

Dated: August 22, 2013

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VP/General Counsel and Corporate Secretary  
Millennium Challenge Corporation

**Report on Countries that are Candidates for Millennium Challenge Account Eligibility for**

**Fiscal Year 2014 and Countries that would be Candidates but for Legal Prohibitions**

*Summary*

This report to Congress is provided in accordance with section 608(a) of the Millennium Challenge Act of 2003, as amended, 22 U.S.C. 7701, 7707(a) (the Act).

The Act authorizes the provision of Millennium Challenge Account (MCA) assistance for countries that enter into a Millennium Challenge Compact with the United States to support

policies and programs that advance the progress of such countries to achieve lasting economic growth and poverty reduction. The Act requires the Millennium Challenge Corporation (MCC) to take a number of steps in selecting countries with which MCC will seek to enter into a compact, including (a) determining the countries that will be eligible for MCA assistance for fiscal year (FY) 2014 based on a country's demonstrated commitment to (i) just and democratic governance, (ii) economic freedom, and (iii) investments in its people; and (b) considering the opportunity to reduce poverty and generate economic growth in the country. These steps include the submission of reports to the congressional committees specified in the Act and the publication of notices in the *Federal Register* that identify:

The countries that are "candidate countries" for MCA assistance for FY 2014 based on their per capita income levels and their eligibility to receive assistance under U.S. law and countries that would be candidate countries but for specified legal prohibitions on assistance (section 608(a) of the Act);

The criteria and methodology that the MCC Board of Directors (Board) will use to measure and evaluate the relative policy performance of the "candidate countries" consistent with the requirements of subsections (a) and (b) of section 607 of the Act in order to determine "eligible countries" from among the "candidate countries" (section 608(b) of the Act); and

The list of countries determined by the Board to be "eligible countries" for FY 2014, identification of such countries with which the Board will seek to enter into compacts, and a justification for such eligibility determination and selection for compact negotiation (section 608(d) of the Act).

This report is the first of three required reports listed above.

*Candidate Countries for FY 2014*

The Act requires the identification of all countries that are candidates for MCA assistance for FY 2014 and the identification of all countries that would be candidate countries but for specified legal prohibitions on assistance. Under the terms of the Act, sections 606(a) and (b) set forth the two income tests countries must satisfy to be candidates for MCA assistance.<sup>1</sup> However for FY 2013, those categories were redefined by MCC's FY 2013 appropriations act, the Full-Year Continuing Appropriations Act, 2013, which was enacted as Division F of the Consolidated and Further Continuing Appropriations Act, 2013 (Pub. L. 113-6), and became effective March 26, 2013 (the FY 2013 Appropriations Act). Specifically, the FY 2013 Appropriations Act used the same definitions that were used in the FY 2012 appropriations act and defines low income candidate countries as the 75 poorest countries as identified by the World Bank and provided that a country that changes during the fiscal year from low income to lower middle income (or vice versa) will retain its candidacy status in its former income category for the fiscal year and two subsequent fiscal years. Assuming these definitions will be used again in FY 2014, MCC is using them for purposes of this report.<sup>2</sup>

Under the redefined categories, a country will be a candidate for MCA assistance for FY 2014 if it:

Meets one of the following tests:

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<sup>1</sup> Sections 606(a) and (b) of the Act provide that a country will be a candidate for MCA assistance if it (1) has a per capita income equal to or less than the historical ceiling of the International Development Association eligibility for the fiscal year involved (the "low income category") or (2) is classified as a lower middle income country in the then most recent edition of the World Development Report for Reconstruction and Development published by the International Bank for Reconstruction and Development and has an income greater than the historical ceiling for International Development Association eligibility for the fiscal year involved (the "lower middle income category"); and is not ineligible to receive U.S. economic assistance under part I of the Foreign Assistance Act of 1961, as amended (the Foreign Assistance Act), by reason of the application of the Foreign Assistance Act or any other provision of law.

<sup>2</sup> If the language relating to the definition of low income candidate countries is not enacted or is changed for MCC's FY 2014 appropriations act, MCC will revisit the selection process once the FY 2014 appropriations act is enacted and will conduct the selection process in accordance with the Act and applicable provisions for FY 2014.

Has a per capita income that is not greater than the World Bank's lower middle income country threshold for such fiscal year (\$4,085 GNI per capita for FY 2014); and is among the 75 lowest per capita income countries, as identified by the World Bank; or

Has a per capita income that is not greater than the World Bank's lower middle income country threshold for such fiscal year (\$4,085 GNI per capita for FY 2014); but is *not* among the 75 lowest per capita income countries as identified by the World Bank;

And

Is not ineligible to receive U.S. economic assistance under part I of the Foreign Assistance Act of 1961, as amended (the Foreign Assistance Act), by reason of the application of the Foreign Assistance Act or any other provision of law.

Due to the provisions requiring countries to retain their former income classification for three fiscal years, changes from the low income to lower middle income categories or vice versa for FY 2014 will go into effect for FY 2017. Countries transitioning to the upper middle income category do not retain their former income classification.<sup>3</sup>

Pursuant to section 606(c) of the Act, the Board identified the following countries as candidate countries under the Act for FY 2014. In so doing, the Board referred to the prohibitions on assistance to countries for FY 2013 under the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012, Pub. L. 112-74, Div. I. (the SFOAA), as carried forward by the FY 2013 Appropriations Act.

*Candidate Countries: Low Income Category*

Afghanistan  
Bangladesh

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<sup>3</sup> In FY 2014, the World Bank revised its estimates for Iraq's gross domestic product per capita and more than doubled its previous estimate. This caused Iraq to transition from a low income country to an upper middle income country without the benefit of gradual reclassification. The removal of Iraq from the both the low income and lower middle income categories means that, as a result, there are only 74 low income countries for FY 2014.

Benin  
Bhutan  
Bolivia  
Burkina Faso  
Burundi  
Cambodia  
Chad  
Comoros  
Congo, Democratic Republic of  
Cote d'Ivoire  
Djibouti  
Egypt<sup>4</sup>  
Ethiopia  
Georgia  
Ghana  
Guatemala  
Guinea  
Haiti  
Honduras  
India  
Indonesia  
Kenya  
Kiribati  
Kyrgyz Republic  
Laos  
Lesotho  
Liberia  
Malawi  
Mauritania  
Micronesia  
Moldova  
Mongolia  
Mozambique  
Nepal  
Niger  
Nigeria  
Pakistan  
Papua New Guinea  
Philippines  
Rwanda  
Sao Tome and Principe  
Senegal  
Sierra Leone  
Solomon Islands  
Somalia

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<sup>4</sup> MCA assistance to Egypt would be provided to the extent it is deemed to be consistent with the law.

South Sudan  
Sri Lanka  
Tajikistan  
Tanzania  
Timor-Leste  
Togo  
Uganda  
Uzbekistan  
Vanuatu  
Vietnam  
Yemen  
Zambia

*Candidate Countries: Lower Middle Income Category*

Armenia  
Cape Verde  
El Salvador  
Guyana  
Kosovo  
Morocco  
Paraguay  
Samoa  
Ukraine

*Countries that Would Be Candidate Countries but for Legal Provisions that Prohibit Assistance*

Countries that would be considered candidate countries for FY 2014, but are ineligible to receive United States economic assistance under part I of the Foreign Assistance Act by reason of the application of any provision of the Foreign Assistance Act or any other provision of law are listed below. This list is based on legal prohibitions against economic assistance that apply as of August 16, 2013. All section references below are to the SFOAA, unless another statute is identified.

*Prohibited Countries: Low Income Category*

Burma is subject to restrictions, including but not limited to section 570 of the FY 1997 Foreign Operations, Export Financing, and Related Programs Appropriations Act (P.L. 104-208),

which prohibits assistance to the government of Burma until it makes measurable and substantial progress in improving human rights practices and implementing democratic government.

Cameroon is subject to section 7031(b) regarding budget transparency.

Central African Republic is subject to section 7031(b) regarding budget transparency.

Congo, Republic of the, is subject to section 7031(b) regarding budget transparency.

Eritrea is subject to restrictions due to its status as a Tier III country under the Trafficking Victims Protection Act, as amended, 22 U.S.C. sections 7101 et seq.

Gambia, The is subject to section 7031(b) regarding budget transparency.

Guinea-Bissau is subject to section 7008, which prohibits assistance to the government of a country whose duly elected head of government is deposed by military coup or decree.

Madagascar is subject to section 7008, which prohibits assistance to the government of a country whose duly elected head of government is deposed by military coup or decree and also section 7031(b) regarding budget transparency.

Mali is subject to section 7008, which prohibits assistance to the government of a country whose duly elected head of government is deposed by military coup or decree.

Nicaragua is subject to section 7031(b) regarding budget transparency.

North Korea is subject to numerous restrictions, including section 7007, which prohibits any direct assistance to the government.

Sudan is subject to numerous restrictions, including but not limited to section 620A of the Foreign Assistance Act which prohibits assistance to governments supporting international terrorism, section 7012 of the SFOAA and section 620(q) of the Foreign Assistance Act, both of which prohibit assistance to countries in default in payment to the U.S. in certain circumstances,

section 7008, which prohibits assistance to the government of a country whose duly elected head of government is deposed by military coup or decree, and section 7043(f).

Swaziland is subject to section 7031(b) regarding budget transparency.

Syria is subject to numerous restrictions, including but not limited to 620A of the Foreign Assistance Act which prohibits assistance to governments supporting international terrorism, section 7007 of the SFOAA which prohibits direct assistance, and section 7012 of the SFOAA and section 620(q) of the Foreign Assistance Act, both of which prohibit assistance to countries in default in payment to the U.S. in certain circumstances.

Zimbabwe is subject to several restrictions, including section 7043(j)(2), which prohibits assistance (except for macroeconomic growth assistance) to the central government of Zimbabwe, unless the Secretary of State determines and reports to Congress that the rule of law has been restored in Zimbabwe.

Countries identified above as candidate countries, as well as countries that would be considered candidate countries but for the applicability of legal provisions that prohibit U.S. economic assistance, may be the subject of future statutory restrictions or determinations, or changed country circumstances, that affect their legal eligibility for assistance under part I of the Foreign Assistance Act by reason of application of the Foreign Assistance Act or any other provision of law for FY 2014.

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